

Statement of Blue Cross Blue Shield of Michigan
Senate Insurance Committee Hearing on Senate Bill 492
Oct. 11, 2017

Good afternoon Chairman Hune and members of the Senate Insurance Committee, my name is Gabe Basso, Manager of State Relations for Blue Cross Blue Shield of Michigan, a nonprofit mutual insurance company. Thank you for the opportunity to come before you today to address our concerns with Senate Bill 492.

On behalf of the nearly 3 million members we currently provide prescription drug benefits for, let me begin by recognizing how difficult and complicated this issue is to address.

We recognize the important role that oral cancer medications play in the treatment of cancer and we work hard to provide access to these treatments for our members.

We hope to secure a balanced approach where patients have access to appropriate cancer medications, while at the same time allowing insurers to responsibly manage and administer these benefits. As such, we are opposed to this legislation as written.

In 2016, the United States accounted for 46% of total global oncology costs, up from 39% in 2012. Oncology drugs account for more than 25% of all drugs in late stages (phase 2 or higher) of the drug development process. And the cost of oncology medicines manufactured in the U.S. has increased in the past five years by 88%.

Our data shows that over 97% of the costs of oral cancer medications filled by our members through the pharmacy benefit were covered by BCBSM. In fact, the average cost to members receiving a brand name oral cancer prescription was \$156 for a month supply when you include deductibles and other cost share contributions. In turn, members received prescriptions costing around \$8,000 a month, on average.

Blue Cross Blue Shield of Michigan works hard to improve the health of Michigan citizens. In fact we have funded and supported several quality improvement efforts related to cancer care through programs such as:

- Michigan Breast Oncology Quality Initiative (MiBOQI)
- Michigan Oncology Quality Consortium (MOQC)
- Michigan Radiation Oncology Quality Consortium (MROQC)
- Michigan Urological Surgery Improvement Collaborative (MUSIC)

We have significant concerns over the ever-escalating costs of prescription drugs. Oral oncology drugs are no exception with many costing around \$10,000 for a month supply

Many oral oncology medications are categorized as “specialty medications” that often require special management because of the seriousness of the disease being treated and severe side effects. In the U.S., cancer drugs dispensed through retail channels now account for more than one-third of total costs, up from 25 percent ten years ago

Specialty drugs are the number one driver of prescription drug costs. Specialty drug prescriptions account for about 1% of claims and yet 38% of prescription payout. Some forecasts show payout for specialty medications increasing to over 50% by 2020.

A large number of oral chemo drugs, more than 35% in the antineoplastic category, are in the “pipeline” and will likely result in several new cancer treatments coming to market in the future. New drugs do not have cheaper, generic versions available so the initial cost of these new drugs will be quite high.

It is also important to note that insurers are currently required by state law to offer coverage for cancer medications where medical literature substantiates its efficacy, even in situations where the FDA has not yet approved drugs associated with particular cancers. Additionally, federal law limits out-of-pocket costs for prescriptions, medical and facility coverage. For 2017, the limit is \$7,150 and applies to individuals regardless of whether they are in an individual or family plan. While this is the federally established ceiling, many of our plans have much lower limits.

It is the ultimate hypocrisy for drug companies to support oral chemotherapy mandate legislation across the nation, forcing insurers to cap co-payments on prescription drugs, while at the same time blocking transparency efforts aimed at addressing the real issue - underlying drug costs.

BCBSM does not support a government mandate as a way to control health care costs, especially one that will place an arbitrary limit on the patient’s portion of drug costs. This will shift costs significantly to small and mid-sized job providers and customers who purchase their own coverage.

We ask that members of this committee consider transparency measures to counteract the exorbitant costs of prescription drug pricing. On Monday a California bill was signed into law that requires pharmaceutical companies to give notice before raising the price on certain drugs, including information on improvements to the clinical efficiency of the drug that explain the price increase, and pharmaceutical companies must file quarterly reports on drug price factors and other cost information and spending plans when launching new, pricey drugs to market. The only groups opposed to that plan were pharmaceutical companies. Health insurers, seniors, labor, policemen, firemen, teachers, medical professionals, businesses, and patient groups all supported the measure.

There is no real check on pharmaceutical pricing – and as we’ve seen, drug prices can change literally overnight.

Thank you for the opportunity to voice our concerns over government mandates that raise the cost of providing health care coverage.